TARIFF ACTION MEMORANDUM

Date: August 5, 2021

File No.: TA530-18

Date Filed: June 30, 2021

Statutory End Date: August 16, 2021

Utility: Matanuska Electric Association, Inc.

Description: Quarterly COPA and SFPPR Update

Synopsis of Filing:

Matanuska Electric Association, Inc. submits its quarterly Cost of Power Adjustment and Small Facility Power Purchase Rate update for the period beginning July 1, 2021.

Tariff Recommendation:
The Commission should approve Tariff Sheet Nos. 92.2 and 107, filed June 30, 2021, by Matanuska Electric Association, Inc. with TA530-18, as shown on the attached side-by-side tariff sheets (JD-1). The effective date of the tariff sheets should be July 1, 2021.

Reason(s) for the above-indicated recommendation: See attached memorandum.

Signed: Jed Drolet
Jed Drolet

Title: Utility Tariff Analyst

Commission decision regarding this recommendation:

	Date (if different from 8/5/21)	I CONCUR	I DO NOT CONCUR	I WILL WRITE A DISSENTING STATEMENT*
Pickett		RNP		
Kurber		KKT		
Scott		AGS AGS		
Sullivan		DS DS		
Wilson	8/6/2021	JWW JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

STATE OF ALASKA
The Regulatory Commission of Alaska
701 West 8th Ave., Suite 300
Anchorage, Alaska 99501-3469

M E M O R A N D U M

To: Robert M. Pickett, Chairman
Keith Kurber II
Antony Scott
Daniel A. Sullivan
Janis W. Wilson

Date: August 5, 2021

From: Jed Drolet, Utility Tariff Analyst

Subject: TA530-18, Matanuska Electric Association, Inc.
Quarterly COPA and SFPPR Update

STATEMENT OF CASE

Matanuska Electric Association, Inc. (MEA) submits its quarterly Cost of Power Adjustment (COPA) and Small Facility Power Purchase Rate (SFPPR) update for the period beginning July 1, 2021.

RECOMMENDATION

The Commission should approve Tariff Sheet Nos. 92.2 and 107, filed June 30, 2021, by MEA with TA530-18, as shown on the attached side-by-side tariff sheets (JD-1). The effective date of the tariff sheets should be July 1, 2021.

BACKGROUND

MEA is a member-owned cooperative providing electric service to approximately 68,000 customers in Southcentral Alaska.[1] MEA's electric load is met primarily through generation at the Eklutna Generation Station, as well as energy purchased from other sources,[2] and the related costs are recovered solely through MEA's COPA surcharge.[3]

[1] *See* tariff advice letter filed with TA530-18, at page 3.

[2] MEA also receives power from (1) Bradley Lake Hydroelectric (Bradley Lake) for which MEA holds a 13.8% share, (2) Eklutna Hydroelectric (Eklutna) for which MEA holds a 16.7% share in its own right and receives an additional 19.1% share through a Power Purchase Agreement with the Municipality of Anchorage (*See* Letter Order No. L2000411, issued November 20, 2020 in TA525-18), (3) Enerdyne, LLC (Enerdyne) for purchases made under MEA's Schedule No. QF-1 SFPPR (*See* MEA Tariff Sheet No. 106), (4) South Fork Hydro (SFH), for purchases made under its 30-year contract (*See* Letter Order No. L1100564, issued October 28, 2011 in TA407-18) and (5) inter-utility purchases from Chugach Electric Association, Inc., and Golden Valley Electric Association, Inc. (*See* Letter Order L1500226, issued April 20, 2015 in TA451-18).

[3] *See* Order No. U-15-078(2), at page 8.

MEA now submits its quarterly COPA and SFPPR update for the period beginning July 1, 2021. In accordance with historic Commission practice,[4] a publication notice was not issued for TA530-18.

ANALYSIS

COPA

Proposed revisions to the COPA surcharge are reviewed under 3 AAC 52.504, which requires information supporting entries in the balancing account for the historical period and support for projections for the future period.[5] Calculation of the COPA consists of two parts. The first part includes a 3-month estimate of kWh sales, power costs, and revenue offsets. MEA submitted supporting documentation for the projected period of July through September 2021. The second part includes documentation supporting the actual balancing account entries for January through March 2021, and MEA's estimated balancing account balance for June 30, 2021. MEA provided actual usage, generation, costs, and sales data for the period of January through March 2021, including invoices and spreadsheets supporting the balancing account entries.

Balancing Account Balance Adjustment

3 AAC 52.504(i) provides that an electric utility may request the correction or adjustment of actual entries in the COPA balancing account for a one-year period. The utility must describe, quantify, and justify each proposed adjustment. With TA530-18, MEA proposed one adjustment.

MEA proposes an adjustment of ($473,403) in January 2021 for its portion of the surplus of revenues from Bradley Lake, Battle Creek, and the Alaska Intertie. MEA provided a copy of the surplus calculation with copies of the checks from the Alaska Energy Authority (AEA).[6]

The Bradley Lake Surplus Revenue Refund is an annual refund that distributes the Bradley Lake revenue surplus once annually per the decision of the Bradley Lake Project Management Committee and has been passed through MEA's COPA balancing account in previous filings.[7] In the past refunds of excess costs and interest associated with the Battle Creek project have been paid separately by AEA; however, in 2020 and 2021 these

[4] One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states "[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411…" This allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

[5] *See* 3 AAC 52.504(g), *Filing Requirements for Electric Utilities*. This support includes invoices, records, reports, calculations, contracts and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

[6] *See* support filed with TA530-18, at pages 135 through 145 of the pdf.

[7] *See* TA484-18, filed March 31, 2017; TA468-18, filed March 31, 2016; TA495-18, filed March 30, 2018; TA508-18, filed March 29, 2019; and TA521-18, filed June 30, 2020.

refunds were combined with the Bradley Lake refund into a single check.[8] The Alaska Intertie Surplus Refund is an annual refund that trues up the difference between revenues and expenditures in accordance with section 7.4.4 and 7.4.5 of the Intertie Operating Agreement. The surplus is allocated to the electric companies which contribute to the intertie's operating budget in proportion to the total dollar amount paid by all parties for the use of the intertie and has been passed through MEA's COPA balancing account in previous filings.[9] The effect of the combined adjustment is downward pressure on the actual balancing account balance.

Staff reviewed the support provided by MEA and believes the adjustment has been justified and supported. Therefore, Staff recommends the Commission allow the adjustment to MEA's balancing account balance.

COPA Surcharge Increase (Tariff Sheet 92.2)

As shown on Tariff Sheet No. 92.2, filed with TA530-18, MEA proposes a COPA surcharge of $0.07460/kWh. This represents a $0.00931/kWh increase from the currently approved COPA surcharge of $0.06529/kWh.

Table 1 shows the effect of the proposed changes on a sample residential customer billing for 650 kWh usage.

Table 1

Sample Residential Customer Billing - 650/kWh Usage

Line	Description	Current Rates	Proposed Rates	Change from Current Rate
1	Cost of Power Adjustment	$0.06529	$0.07460	0.00931
	650kWh Residential Customer Bill			
2	Facilities Charge	$13.00	$13.00	-
3	Energy @ $0.12453/kWh	$80.94	$80.94	-
4	RCC @ 0.000884/kWh	$0.57	$0.57	-
5	COPA Surcharge	$42.44	$48.49	$6.05
6	Total Customer Bill	$136.96	$143.01	$6.05

Factors that may affect the calculation of MEA's COPA include the previous period's ending balancing account balance, projected power costs, and projected sales. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh sold will put upward pressure on the COPA surcharge and any factor that decreases the average cost per kWh sold will put downward pressure on the surcharge. The proposed increase to MEA's COPA is primarily driven by:

[8] *See* support filed with TA521-18, at pages 130 through 131 of the pdf. *See also* support filed with TA530-18, at pages 143 through 144 of the pdf.

[9] *See* TA484-18, filed March 31, 2017; TA468-18, filed March 31, 2016; TA495-18, filed March 30, 2018; TA508-18, filed March 29, 2019; and TA519-18, filed March 31, 2020.

1) An increase in projected costs for the period. The projected fuel and transportation cost increased from $9,886,143 to $9,917,041.[10] The projected purchased power cost for the same period increased from $1,280,073 to $1,540,784.[11] This results in the total costs increasing from $11,166,216[12] to $11,457,825.[13] These increased costs place upward pressure on the COPA surcharge.
2) An increase in the actual balancing account balance. The actual balancing account balance increased from $107,849 to $164,201,[14] indicating that fewer revenues were collected through the COPA surcharge than costs were incurred. The result of the increased actual balancing account is upward pressure on the estimated balancing account.
3) An increase in the estimated balancing account balance. The estimated balancing account balance increased from $66,506 to $813,367.[15] The increase in the estimated balancing account balance places upward pressure on the COPA surcharge.
4) A decrease in projected retail kWh sales for the period. The projected retail kWh usage decreased from 172,060,000 kWh to 164,490,000 kWh.[16] This decrease results in the projected costs[17] being spread over a smaller number of kWh, placing upward pressure on the COPA surcharge.

The increase in projected fuel and purchased power costs, increase in the estimated balancing account balance, and decrease in projected kWh sales combine to put upward pressure on the COPA surcharge. The overall effect is an increase in MEA's COPA surcharge.

The COPA revisions proposed in TA530-18 did not include a change in methodology or new cost element, and as such, MEA implemented the proposed surcharge on July 1, 2021, in accordance with 3 AAC 52.504(b).[18] Staff has reviewed all information and calculations filed in support of TA530-18 and confirmed that the proposed surcharge was calculated accurately, using MEA's approved methodology, and that the tariff sheet is correct.[19] Therefore, Staff recommends that the Commission approve Tariff Sheet No. 92.2.

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[10] *See* side-by-side MEA Tariff Sheet No. 92.2, attached as JD-1, at line no.1.40

[11] *Id.*, at line no. 2.20.

[12] $9,886,143 + $1,280,073 = $11,166,216.

[13] $9,917,041 + $1,540,784 = $11,457,825.

[14] *See* side-by-side MEA Tariff Sheet No. 92.2, attached as JD-1, at line no. 3.10.

[15] *Id.*, at line no. 3.20.

[16] *Id.*, at line no. 1.50

[17] The total projected costs include the balancing account balance.

[18] *See* 3 AAC 52.504, *Filing Requirements for Electric Utilities*. 3 AAC 52.504(b) states "[a]n electric utility may implement a COPA filing that does not include a new methodology or cost element immediately upon filing with the Commission. The COPA filing is subject to subsequent review, adjustment, and approval by the Commission."

[19] Side-by-side tariff sheets attached as JD-1.

SFPPR Decrease (Tariff Sheet No. 107)

As approved with TA469-18,[20] MEA calculates its SFPPR by applying the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the COPA clause revision. This figure is derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter is used to convert the avoided fuel, transportation, and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation is then added to the variable operation and maintenance expense to produce the SFPPR.[21]

Additionally with TA469-18, the Commission approved MEA's request for a waiver of the 45-day statutory notice period for future SFPPR filings. This waiver was granted provided the SFPPR revisions were filed with MEA's regular COPA filings and contained no change to the approved SFPPR methodology.[22]

MEA proposes an SFPPR of $0.07434/kWh, a decrease from the currently approved SFPPR of $0.07844/kWh.[23] Staff confirmed that the proposed SFPPR was calculated accurately, using MEA's approved methodology, and that the tariff sheet is correct. Therefore, Staff recommends that the Commission approve Tariff Sheet No. 107.

CONCLUSION

With TA530-18, MEA requests approval of its quarterly COPA and SFPPR update for the period beginning July 1, 2021. Staff has verified the proposed rate and surcharge were calculated accurately using MEA's approved methodologies, the proper support was filed, and the tariff sheets are correct. Therefore, Staff recommends the Commission approve Tariff Sheet Nos. 92.2 and 107, filed June 30, 2021, by MEA with TA530-18. The effective date of the tariff sheets should be July 1, 2021.

Signature: Keith Kurber II
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[20] *See* Letter Order No. L1600266, issued May 27, 2016.

[21] Side-by-side Tariff Sheet No. 107 attached as JD-1.

[22] *See* Letter Order No. L1600266, issued May 27, 2016.

[23] MEA's SFPPR applies to QFs with nameplate capacity of 100 kW or less. *See* side-by-side Tariff Sheet No. 107, attached as JD-1.

RCA No. 18 | 146th Revised | Sheet No 92.2

Canceling

145th Revised | Sheet No 92.2

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MATANUSKA ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT
(Continued)

E. Determination of Cost of Power Adjustment

Estimated costs beginning April 1, 2021: T

(1)	Cost of Fuel			
(1.10)	EGS - Hilcorp Alaska, LLC Fuel Gas (MEA-02, as amended)		$9,252,168	R
(1.11)	Transportation Charges		$510,997	R
(1.20)	EGS - Crowley Fuels LLC ULSD#2 Fuel (MEA-02D)		$122,978	R
(1.30)	Reserved for Future Use		$0	
(1.35)	Short-term Purchases of Natural Gas		$0	
(1.40)	Total Cost of Fuel and Transportation		$9,886,143	R
(1.50)	Projected Retail Sales (kWh)		172,060,000	R
(1.60)	Fuel Cost (per kWh)		$0.05746	R
(2)	Cost of Purchased Power			
(2.10)	Bradley Lake Purchases		$816,786	
(2.11a)	Inter-utility Sales		$0	
(2.11b)	Inter-utility Purchases		$0	
(2.12)	Other Purchases		$0	
(2.13)	Spinning Reserve Purchases		$0	
(2.14)	Wheeling Charges		$161,525	R
(2.15)	Tight Power Pool Transactions (Net)		$0	
(2.16a)	MOA Eklutna Hydro Power Purchases		$301,762	I
(2.16b)	Independent Power Producer Energy Purchases		$0	
(2.20)	Total Cost of Purchased Power		$1,280,073	R
(2.30)	Projected Retail Sales (kWh)		172,060,000	R
(2.40)	Purchased Power Cost (per kWh)		$0.00744	I
(3)	Cost of Power Balance Account			
(3.10)	Actual Balance as of December 31, 2020	$107,849		T, I
(3.20)	Estimated Balance as of March 31, 2021		$66,506	T, I
(3.30)	Balancing Account Estimate to be Recovered		$66,506	I
(3.40)	Projected Retail Sales (kWh)		172,060,000	R
(3.50)	Balancing Account Estimate (per kWh)		$0.00039	I
(4)	Total Cost of Power to be Recovered:			
(4.10)	Fuel Cost (per kWh)		$0.05746	R
(4.20)	Purchased Power Cost (per kWh)		$0.00744	I
(4.30)	Balancing Account Estimate (per kWh)		$0.00039	I
(4.40)	Cost to be Recovered (per kWh)		$0.06529	R
(5)	Base Cost of Power			
(5.10)	Base Cost of Power (per kWh)		$0	
(6)	Cost of Power Adjustment			
(6.10)	Line (4.40) Minus Line (5.10), (per kWh)		$0.06529	R

Tariff Advice No. TA529-18 | Effective April 1, 2021

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By: Anthony M. Izzo | Title: Chief Executive Officer

RCA No. 18 | 147th Revised | Sheet No 92.2

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146th Revised | Sheet No 92.2

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MATANUSKA ELECTRIC ASSOCIATION, INC.

COST OF POWER ADJUSTMENT
(Continued)

E. Determination of Cost of Power Adjustment

Estimated costs beginning July 1, 2021: T

(1)	Cost of Fuel			
(1.10)	EGS - Hilcorp Alaska, LLC Fuel Gas (MEA-02, as amended)		$9,281,163	I
(1.11)	Transportation Charges		$511,646	I
(1.20)	EGS - Crowley Fuels LLC ULSD#2 Fuel (MEA-02D)		$124,232	I
(1.30)	Reserved for Future Use		$0	
(1.35)	Short-term Purchases of Natural Gas		$0	
(1.40)	Total Cost of Fuel and Transportation		$9,917,041	I
(1.50)	Projected Retail Sales (kWh)		164,490,000	R
(1.60)	Fuel Cost (per kWh)		$0.06029	I
(2)	Cost of Purchased Power			
(2.10)	Bradley Lake Purchases		$540,666	R
(2.11a)	Inter-utility Sales		$0	
(2.11b)	Inter-utility Purchases		$0	
(2.12)	Other Purchases		$0	
(2.13)	Spinning Reserve Purchases		$0	
(2.14)	Wheeling Charges		$206,812	I
(2.15)	Tight Power Pool Transactions (Net)		$40,100	I
(2.16a)	MOA Eklutna Hydro Power Purchases		$753,206	I
(2.16b)	Independent Power Producer Energy Purchases		$0	
(2.20)	Total Cost of Purchased Power		$1,540,784	I
(2.30)	Projected Retail Sales (kWh)		164,490,000	R
(2.40)	Purchased Power Cost (per kWh)		$0.00937	I
(3)	Cost of Power Balance Account			
(3.10)	Actual Balance as of March 31, 2021	$164,201		T, I
(3.20)	Estimated Balance as of June 30, 2021		$813,367	T, I
(3.30)	Balancing Account Estimate to be Recovered		$813,367	I
(3.40)	Projected Retail Sales (kWh)		164,490,000	R
(3.50)	Balancing Account Estimate (per kWh)		$0.00494	I
(4)	Total Cost of Power to be Recovered:			
(4.10)	Fuel Cost (per kWh)		$0.06029	I
(4.20)	Purchased Power Cost (per kWh)		$0.00937	I
(4.30)	Balancing Account Estimate (per kWh)		$0.00494	I
(4.40)	Cost to be Recovered (per kWh)		$0.07460	I
(5)	Base Cost of Power			
(5.10)	Base Cost of Power (per kWh)		$0	
(6)	Cost of Power Adjustment			
(6.10)	Line (4.40) Minus Line (5.10), (per kWh)		$0.07460	I

Tariff Advice No. TA530-18 | Effective July 1, 2021

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By: Anthony M. Izzo | Title: Chief Executive Officer

RCA 18 | 53rd Revised | Sheet No. 107

Canceling

52nd Revised | Sheet No. 107

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MATANUSKA ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1

GENERAL RULES AND PURCHASE AND SALE RATES FOR QUALIFYING FACILITIES WITH A DESIGN CAPACITY OF 100 KW OR LESS (Continued)

RATES (Continued)

The method of determining the Small Facility Power Purchase Rate follows:

The Association will apply the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the Cost of Power Adjustment clause revision. This figure will be derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter will be used to convert the avoided fuel, transportation and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation will then be added to the variable operation and maintenance expense to produce the Small Facility Power Purchase Rate.

All costs and kilowatt-hours generated or sold are from historical activity from the quarter used to project costs and sales in the Cost of Power Adjustment clause revision.

A.	Total Cost of Fuel and Transportation		$ 14,685,621		I
B.	Cost of Inter-Utility Purchases		$ 10,174		I
C.	Generation from EGS (kWh)		210,344,288		I
D.	Inter-Utility Purchases (kWh)		358,000		R
E.	Total Generation and Purchases from All Sources (kWh)		238,719,762		I
F.	Ratio of EGS Generation and Inter-Utility Purchases to Total Generation and Purchases from All Sources	(C + D) / E	88.3%		I
G.	Total System Sales (kWh)		212,345,191		I
H.	Avoided Fuel, Transportation & Purchases (¢/kWh)	(A + B) / (F x G)	7.841	¢/kWh	I
I.	Avoided Variable O&M (¢/kWh)		0.003	¢/kWh	
J.	**Small Facility Power Purchase Rate**	H + I	**7.844**	**¢/kWh**	I

Tariff Advice No TA529-18 Effective: April 1, 2021

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By: z Title: Chief Executive Officer

Anthony M. Izzo

RCA 18 | 54th Revised | Sheet No. 107

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53rd Revised | Sheet No. 107

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MATANUSKA ELECTRIC ASSOCIATION, INC.

SCHEDULE NO. QF-1

GENERAL RULES AND PURCHASE AND SALE RATES FOR QUALIFYING FACILITIES WITH A DESIGN CAPACITY OF 100 KW OR LESS (Continued)

RATES (Continued)

The method of determining the Small Facility Power Purchase Rate follows:

The Association will apply the historical cost of fuel and transportation, inter-utility purchases, and variable operations and maintenance expense from the three-month period used to project costs and sales in the Cost of Power Adjustment clause revision. This figure will be derived from fuel, transportation, and purchased power invoices; measurements of energy generated, sold, or purchased; and variable operation and maintenance expense applicable to the historical quarter. A ratio of kilowatt-hours sold to kilowatt-hours generated or purchased for the historical quarter will be used to convert the avoided fuel, transportation and inter-utility purchase expenses to a kilowatt-hour-sold basis. This calculation will then be added to the variable operation and maintenance expense to produce the Small Facility Power Purchase Rate.

All costs and kilowatt-hours generated or sold are from historical activity from the quarter used to project costs and sales in the Cost of Power Adjustment clause revision.

A.	Total Cost of Fuel and Transportation		$ 15,326,060		I
B.	Cost of Inter-Utility Purchases		$ -		R
C.	Generation from EGS (kWh)		218,357,368		I
D.	Inter-Utility Purchases (kWh)		-		R
E.	Total Generation and Purchases from All Sources (kWh)		245,755,617		I
F.	Ratio of EGS Generation and Inter-Utility Purchases to Total Generation and Purchases from All Sources	(C + D) / E	88.9%		I
G.	Total System Sales (kWh)		232,127,889		I
H.	Avoided Fuel, Transportation & Purchases (¢/kWh)	(A + B) / (F x G)	7.431	¢/kWh	R
I.	Avoided Variable O&M (¢/kWh)		0.003	¢/kWh	
J.	**Small Facility Power Purchase Rate**	H + I	**7.434**	**¢/kWh**	R

Tariff Advice No TA530-18 Effective: July 1, 2021

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By: z Title: Chief Executive Officer

Anthony M. Izzo